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# President Reagan's inheritance

Norman Macrae, the deputy editor of *The Economist*, has been in the United States, to form some controversial views on the problems the Reagan administration will inherit and the policies he would like it to pursue

## Marching past Georgia

Outside the centres of some of their cities, the people of the United States are still the most free, most productive and most amiably dynamic community in the world. They should therefore have the best hope of leading mankind into the burst of inventiveness, enterprise and tranquil good living which the coming revolutions in telecommunications and microprocessors ought to make rather easy. Unfortunately, however, the Americans are at present in crisis because their system of earnest overgovernment has recently broken down, and because the nervous Russians may be tempted during the 1980s successfully to incinerate them.

### If Russia gets a Reaganski

The main misfortune during the Carter maladministration has been a collapse in the process of forming a foreign policy, or even of reacting with one. The Reagan government (see next article) should manage to correct this, but during the period of vacuum America's military-political bumbledom has been sucked into what may be a more durable mess. Because President Carter was more like Harold Wilson than Woodrow Wilson, he first promised the American people that he would sharply cut defence expenditure, then almost simultaneously promised Nato that he was increasing it (but actually wasn't), then found that congress actually was increasing it but on things that suited individual congressmen's constituencies and therefore often won't work.

Most analysts now believe that Russia would win almost any war against America in 1981-85, and one grisly guess is that in a first-strike nuclear holocaust the Russians might kill up to half of the 220m Americans while losing fewer than the 20m Russians who died during Hitler's war (from which Russia recovered very quickly).

Mr Leonid Brezhnev's successor, who will inherit a Soviet empire where millions of his domestic as well as colonial subjects will be longing dearly every night to hang him from a lamppost next morning, will simultaneously inherit a clear temporary superiority in high-technology (therefore soon-to-be-obsolescent) military power. If he is a rather robust and nationalist politician (call him Mr Reaganski?), he may conclude that determined use of his military superiority in 1981-85 should not only make him safer from foreign subversion of the Polish-style revolts that will threaten to hang him in his homeland, but could also make him master of the world.

Even if (sensibly and probably) he is not ardent to nuke New York, he might logically feel that 1981-85 is the period of opportunity in which to humiliate and hamstring America, perhaps by using pretended coups d'état but actual invasions to seize mullah-mad Iran, feudal Araby and half the free world's oil. In tiddlywink response to such sudden desert marches, as the Russians will have been fascinated to read in America's obliging newspapers, the tanks deployable by President Carter's vaunted "rapid deployment force" numbered 475 at last overpublic count, compared with more than 3,000 tanks deployable in the area even by bogged-down Iraq.

The worst policy towards Russia in the 1980s is to impose trade embargoes, speak shrilly and carry a twig. The right policy is to soft-talk Russia's leaders into recognising the marvellous opportunities for dashes towards economic freedom and prosperity in the coming computer age, but meanwhile quickly to fashion a big stick in case those leaders are turned trigger-touchy by their likely internal revolts while most communist economies at present continue to dash the other way. There is clearly now a Russian debate on Poland. If the hawks invade, the world

becomes more dangerous; if the doves delay invasion, the hawks will blame all the many future troubles on such weakness.

### The second enemy

On the hustings, Mr Reagan promised that he would sharply increase America's defence expenditure, while also making large tax cuts and bringing the federal budget back to balance. He thereby said that he would follow half the right foreign policy and do two contradictory domestic things at the same time. But the new administration is right to recognise that the present 13% annual inflation, during a recession, is America's second major danger. If the inflation is not brought under control in an orderly way during Mr Reagan's first term (in 1981-85) inflation will probably be brought to an end in the late 1980s by a crash.

The best way to avoid the crash will be not only to bring down inflation but also to transfer 5-10% of gnp to the investment and profits of growing businesses, mainly by flouting environmentalists, culling government regulators, de-subsidising homeowners, helping quickly to kill off old manufacturing industries and robbing grandpa of his index-linked pension.

My impression is that the Reagan government will roast too few econuts and regulators, may be quite brave about housing (but carefully isn't saying so yet), does not understand the need to shed old industries and will funk assaulting grandpa. Indeed, militant ageism in the 1980s may replace battleaxe feminism in the 1970s, black power in the 1960s and witch-hunting in the 1950s (and 1650s) as the moral crusade against which it is deemed impolitic to giggle in church. Before 1990 congress is quite liable to legislate that compulsory retirement of anybody senile is a breach of his human right.

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